

Message Text

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E.O. 11652: N/A
TAGS: OREP (CODEL SLACK)
SUBJECT SLACK BRIEFING BY GOP PLANNING MINISTER NICOLAS
ARDITO BARLETTA

1. MINISTER BARLETTA FEBRUARY 15 PRESENTED GENERAL OVERVIEW
OF THE PANAMANIAN ECONOMY, LINKING PANAMA'S THREE-YEAR-OLD
RECESSION TO

(1) EFFECTS OF THE OIL PRICE RISES SINCE 1973 AND (2) PLAYING
OUT OF GROWTH FACTORS WHICH FUELED THE 1957-72 ECONOMIC
BOOM AT AVERAGE ANNUAL 8 PERCENT RATE. BARLETTA FELT THAT THE
RECESSION HAD BOTTOMED OUT DURING THE LAST HALF OF 1976, AND
THAT THE ECONOMY, AIDED BY THE GOP'S AMBITIOUS CAPITAL DEVELOP-
MENT PROGRAM AND RECENTLY-ANNOUNCED PACKAGE OF INCENTIVES FOR
PRIVATE SECTOR INVESTMENT, WOULD BEGIN AN UPTURN IN 1977.

2. 1975'S GNP INCOME OF \$1,000 PER CAPITA IS MISLEADING
BECAUSE OF GROSS INEQUITIES IN INCOME DISTRIBUTION BETWEEN
URBAN AND RURAL AREAS AS WELL AS AMONG INCOME GROUPS. PANA-
MANIAN DEVELOPMENT IS SKEWED BECAUSE OF TRADITIONAL CONCEN-
TRATION ON PANAMA CITY-COLON METROPOLITAN CORRIDOR--WHICH
CONTAINS OVER 50 PERCENT OF THE POPULATION AND GENERATES A
MAJOR PART OF GDP--WHILE LARGE AREAS OF THE INTERIOR,
PARTICULARLY IN THE EASTERN HALF OF THE COUNTRY, REMAIN
UNDEVELOPED. THE LACK OF ECONOMIC OPPORTUNITY IN THE
RURAL AREAS, COMBINED WITH AN ABSENCE OF GOVERNMENT
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SERVICES, INDUCED A HEAVY RURAL-URBAN MIGRATION THAT
CONTINUES TO BE A PROBLEM. THE TORRIJOS GOVERNMENT BEGAN
A PROGRAM OF RURAL SOCIO-ECONOMIC DEVELOPMENT IN 1968
THAT WAS DESIGNED TO DELIVER EDUCATIONAL, HEALTH, TRANS-
PORTATION AND PUBLIC UTILITIES SERVICES IN THE PROVINCES.
THE SUCCESSFUL RESULTS OF THIS PROGRAM ARE REFLECTED IN
A 65 PERCENT INCREASE IN RURAL EDUCATIONAL FACILITIES

AND A 55 PERCENT INCREASE IN RURAL HEALTH SERVICES DURING 1968-1975. NUTRITIONAL EDUCATION AND EXPANDED AVAILABILITY OF POTABLE WATER HAVE CONTRIBUTED TO IMPROVED MORTALITY FIGURES. BARLETTA AFFIRMED THAT OTHER SOCIAL PROGRAMS DESIGNED TO ALLOW THE UNDERPRIVILEGED TO SHARE IN THE BENEFITS OF ECONOMIC GROWTH HAVE BEEN MORE CONTROVERSIAL. THE GOP'S ATTEMPT TO IMPROVE THE CONDITIONS OF THE WORKERS THROUGH A STRENGTHENED LABOR CODE THAT ENCOURAGED THE DEVELOPMENT OF LABOR UNIONS HAS BEEN WIDELY CRITICIZED BY THE PRIVATE SECTOR. SUCH PROGRAMS ARE EVEN MORE CONTROVERSIAL DURING A RECESSION.

3. BARLETTA NEXT OUTLINED THE GOP-'S FIVE-YEAR DEVELOPMENT PLAN, EMPHASIZING IMPORTANCE GOP ATTRIBUTES TO PRIVATE SECTOR AND PRIVATE INVESTMENT. PLAN IS DESIGNED TO REKINDLE ECONOMIC GROWTH WITH SYSTEMATIC DEVELOPMENT OF:

(A) PANAMA'S GEOGRAPHIC LOCATION-THE SAME CHARACTERISTIC THAT LED TO THE DEVELOPMENT OF THE CANAL OFFERS ADDITIONAL DEVELOPMENT POSSIBILITIES. EXPANSION OF THE COLON FREE ZONE, THE NEW TOCUMEN AIRPORT, CONTAINER PORTS AT BALBOA AND COLON, THE NEW FISHING PORT AT VACAMONTE, A TRANS-ISTHMIAN OIL PIPELINE--THESE ARE PROJECTS EITHER IN PROGRESS OR UNDER CONSIDERATION THAT TAKE ADVANTAGE OF PANAMA'S GEOGRAPHIC LOCATION. THE SIGNING OF A NEW TREATY THAT PROVIDES ACCESS TO AREAS CURRENTLY IN THE CANAL ZONE WILL INCREASE SUCH POSSIBILITIES. THE GOVERNMENT'S INVESTMENT PROJECTS ARE DESIGNED TO SUPPORT AND FACILITATE LIMITED OFFICIAL USE

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PRIVATE INVESTMENT. EXPANSION OF THE INTERNATIONAL BANKING CENTER (74 BANKS, \$10 BILLION DEPOSITS) AND THE TOURISM INDUSTRY WILL ALSO CAPITALIZE ON THE COUNTRY'S GEOGRAPHIC LOCATION.

(B) NATURAL RESOURCES-(1) CERRO COLORADO COPPER DEPOSIT CONTAINS 6-8 BILLION TONS OF RECOVERABLE ORE. PROJECT WILL REQUIRE \$800 MILLION TO BEGIN PRODUCTION, WITH AN ANNUAL RETURN OF \$200 MILLION TO PANAMA. CODEL ASKED WHETHER THIS WAS A NEW DISCOVERY, HOW IT COMPARED TO SIMILAR DEPOSITS IN THE U.S., AND WHETHER IT WAS LOCATED IN A MOUNTAINOUS AREA. DR. BARLETTA REPLIED THAT THE DEPOSIT HAD BEEN DISCOVERED ABOUT FIVE YEARS AGO IN THE CHIRIQUI HIGHLANDS. PRELIMINARY TESTS INDICATE THAT THE COPPER CONTENT COMPARES FAVORABLY WITH SIMILAR DEPOSITS IN THE U.S. AND CANADA. (2) HYDROELECTRIC PROGRAM. THE BAYANO DAM, COMPLETED IN 1976, WILL SAVE \$10 MILLION ANNUALLY IN OIL IMPORTS. THE LA ESTRELLA-LOS VALLES PROJECT, CURRENTLY UNDER

CONSTRUCTION, AND THE FORTUNA PROJECT, FOR WHICH FINANCING IS BEING NEGOTIATED WITH THE INTER-AMERICAN DEVELOPMENT BANK AND THE WORLD BANK, WILL SAVE ANOTHER \$30 MILLION ANNUALLY. (3) OTHER NATURAL RESOURCES TO BE DEVELOPED INCLUDE FORESTRY (PULP, PAPER) AND FISHING (SHRIMP, FISH MEAL, LOBSTER). IN RESPONDING TO A CODEL QUESTION, BARLETTA INDICATED THAT PANAMA HAD NO KNOWN OIL RESOURCES.

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(C) AGRICULTURE- THE GOVERNMENT HAS BUILT FOUR SUGAR MILLS TO GENERATE EMPLOYMENT IN THE RURAL AREAS AND INCREASE EXPORTS. THESE MILLS WILL FACE FINANCIAL PROBLEMS UNTIL THE PRICE OF SUGAR RISES. EFFORTS ARE ALSO BEING MADE TO UPGRADE THE CATTLE INDUSTRY, INCREASING THE AVAILABILITY OF MEAT FOR EXPORT.

(D) EXPORT-ORIENTED INDUSTRY-GOVERNMENT HAS ESTABLISHED THE NATIONAL FINANCE CORPORATION (COFINA) TO WORK WITH THE PRIVATE SECTOR IN PRODUCING NEW PRODUCTS FOR EXPORT.

4. BARLETTA ACKNOWLEDGED THAT THIS IS A BROAD, AMBITIOUS PROGRAM, THAT NEXT THREE-FOUR YEARS ARE CRITICAL AS MANY NEW PROJECTS COME ON STREAM AND THAT ITS SUCCESS DEPENDS LARGELY ON PANAMA'S ABILITY TO UPGRADE HER HUMAN RESOURCES TO MANAGE PROGRAMS. HENCE, GOP IS PLACING GREAT EMPHASIS ON EDUCATIONAL EFFORT, PARTICULARLY VOCATIONAL-TECHNICAL AND EMPLOYMENT-ORIENTED TRAINING IN RURAL AREAS TO DISCOURAGE RURAL-TO-URBAN MIGRATION.

5. DURING THE DISCUSSION THAT FOLLOWED BARLETTA'S PRESENTATION, SEVERAL SPECIFIC QUESTIONS WERE RAISED:

Q. WHAT IS PANAMA'S LITERACY RATE AND HOW DOES IT COMPARE
WITH THE REMAINDER OF LATIN AMERICA?
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A. ABOUT 80 PERCENT, WITH HOPES TO INCREASE IT TO
85 PERCENT IN THE NEXT FIVE YEARS. RANKS ONLY BEHIND
COSTA RICA IN CENTRAL AMERICA.

Q. WHERE DOES GOP PLAN TO OBTAIN FINANCING FOR YOUR
AMBITIOUS DEVELOPMENT PLANS?

A. WE ALREADY HAVE SOME FINANCING ARRANGED--THE RECES-
SION HAS CONSTRAINED OUR GOVERNMENT REVENUES, HOWEVER, WE
ARE NEGOTIATING LOANS WITH IDB, WORLD BANK AND AID. GOP
IS ALSO MAKING USE OF SUPPLIERS CREDITS AND THE INTER-
NATIONAL MONEY MARKETS.

Q. WHAT EFFECT WOULD A NEW TREATY HAVE ON THE ECONOMY?

A. IN ADDITION TO INCREASING THE DEVELOPMENT POSSIBILITIES
I OUTLINED EARLIER, IT WOULD STRENGTHEN PRIVATE INVESTOR
CONFIDENCE, THUS BUILDING ON THE RECENTLY-ANNOUNCED
INVESTMENT INCENTIVE PROGRAM. MANY INVESTORS ARE WAIT-
ING FOR A STABILIZATION OF U.S.-PANAMANIAN RELATIONS
BEFORE COMMITTING THEMSELVES TO NEW INVESTMENTS.

Q. ARE YOU PART OF THE NEGOTIATING TEAM FOR A NEW
TREATY?

A. YES, THE MINISTRY OF PLANNING IS REPRESENTED ON THE
NEGOTIATING TEAM BY ING. ZAMBRANO, WHO IS A MEMBER OF
THE ADVISORY GROUP ON LANDS AND WATERS. THE MINISTRY
ALSO PROVIDES ADVISORY INPUTS ON THE ECONOMIC COMPEN-
SATION PACKAGE THAT WILL BE INCLUDED IN THE NEW TREATY.

Q. WHAT IS YOUR POSITION ON THE LANDS AND WATERS
QUESTION?

A. THE U.S. WOULD REQUIRE A NARROW CORRIDOR ENCOMPASSING
THE CANAL FOR OPERATION, MAINTENANCE, AND DEFENSE OF THE
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CANAL, PLUS THE USE OF SOME EXISTING MILITARY INSTALLATIONS
AT EITHER END OF THE CANAL. THE REMAINDER OF THE CANAL
ZONE COULD BE RETURNED TO PANAMA. WE WOULD USE LAND AND

FACILITIES AT EITHER END OF THE CANAL FOR THE
ECONOMIC DEVELOPMENT PROJECTS I OUTLINED EARLIER. THE
REMAINDER WOULD BE INCORPORATED INTO PARKS OR NATURE PRE-
SERVES TO PROTECT THE WATERSHED. WE WOULD USE SOME OF
THE WEST BANK AREA ON THE ATLANTIC SIDE FOR AGRICULTURAL
PURPOSES.
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